

Message Text

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11

ACTION EB-07

INFO OCT-01 EA-07 ISO-00 TRSE-00 SP-02 AID-05 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 SSO-00 INRE-00 NSCE-00 /075 W

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O P 261016Z AUG 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 6895

INFO AMCONSUL HONG KONG PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: COUNTERVAILING DUTIES: CERAMIC WALL TILE

REF: STATE 201616

1. EMBASSY WISHES TO COMMENT ON HONG KONG REPORT OF INVESTIGATION, WHICH IT BELIEVES TO BE INCOMPLETE AND MISLEADING IN SEVERAL RESPECTS. EMBASSY QUESTIONS PROPRIETY OF ISSUING PRELIMINARY CONCLUSION TO EFFECT THAT BOUNTIES OR GRANTS ARE BEING BESTOWED WITHOUT PROVIDING OPPORTUNITY FOR EMBASSY COMMENTARY. COMMENTS ARE KEYED TO EXHIBITS OF REPORT.

2. EXHIBIT 1 - THERE ARE NO COMPANIES REGISTERED UNDER EXPORT INCENTIVES ACT FOR EXPORT OF CERAMIC WALL TILES. THEREFORE NO INCENTIVES ARE BEING GRANTED UNDER THIS ACT.

3. EXHIBIT 2 - MARIWASA MANUFACTURING, INC. IS THE ONLY COMPANY PRESENTLY EXPORTING TO UNITED STATES. IT IS REGISTERED UNDER INVESTMENT INCENTIVES

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ACTN WHICH NO LONGER LISTS CERAMITNLALL TILES.

PURPOSE OF INVESTMENT INCENTIVES ACT IS TO INDUCE INVESTMENT IN PRIORITY AREAS, PRIMARILY FOR DOMESTIC CONSUMPTION, AND THIS WAS ACHIEVED FOR CERAMIC WALL TILES. EXISTING FIRMS NOT REGISTERED UNDER ACT WILL RECEIVE NO BENEFITS IF THEY EXPORT, AND NEW WALL TILE FIRMS WILL NOT BE ELIGIBLE TO REGISTER UNDER INVESTMENT ACT.

4. EXHIBITS 6 AND 7 - AS INDICATED ABOVE, INVESTMENT INCENTIVES ACT IS FOCUSED ON INVESTMENTS, NOT EXPORTS, AND ITS BENEFITS GENERALLY APPLY WITHOUT REGARD TO WHETHER OR NOT PRODUCT IS EXPORTED. THUS ACCELERATED DEPRECIATION APPLIES TO MACHINERY WHICH MAY OR MAY NOT BE USED FOR EXPORT PRODUCTION AND WHICH IS IN VIRTUALLY EVERY CASE USED AT LEAST IN PART FOR PRODUCTION GOING TO DOMESTIC MARKET. IMPLICATION OF REPORT'S REFERENCE TO ANSWER 7A OF QUESTIONNAIRE, THAT P1,141,758 ACCELERATED DEPRECIATION CAN BE ASCRIBED TO EXPORTS, IS TOTALLY ERRONEOUS. INVESTIGATOR LIM DID NOT DETERMINE, AS FAR AS EMBASSY IS AWARE, WHAT COMPANIES ARE REGISTERED UNDER ACT AND HOW MUCH OF P1,141,758 IS ASCRIBED TO EACH OF THEM.

5. TO ILLUSTRATE IMPORTANCE OF THIS ASPECT, TAKE CASE OF FIL-HISPANO CERAMICS (PAGE 4 OF REPORT), WHICH EXPORTED IN 1974 BUT IS NOT EXPORTING IN 1975. IF IT IS REGISTERED UNDER ACT, THEN FOR 1975 A PORTION OF ACCELERATED DEPRECIATION WILL BE CLAIMED BY A COMPANY WHICH IS NOT EXPORTING AT ALL. IF IT IS NOT REGISTERED UNDER ACT, THEN A PORTION OF 1974 EXPORTS WERE ATTRIBUTABLE TO A COMPANY WHICH RECEIVED NO BENEFITS AT ALL.

6. WITH RESPECT TO REDUCED INCOME TAX, A PORTION OF DEDUCTION FROM TAXABLE INCOME IS OF AMOUNT EQUIVALENT TO VALUE OF LOCAL RAW MATERIALS UTILIZED IN MANUFACTURE OF EXPORT PRODUCTS. THIS IS CLEARLY A DEVICE TO ENCOURAGE LOCAL PRODUCTION OVER IMPORTS BUT IT IS NOT OF ITSELF A BOUNTY. LOCAL PRODUCTION IS LIMITED OFFICIAL USE

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PRESUMED TO BE MORE EXPENSIVE THAN IMPORTED MATERIALS, SO THIS IS, AT LEAST IN PART, A SUBSIDY TO DOMESTIC PRODUCTION WHICH CONVEYS NO PRICE ADVANTAGE TO EXPORTS.

7. EMBASSY CANNOT QUARREL WITH CONCLUSION OF TREASURY IF IT IS DEMONSTRATED AFTER ACCURATE ASSESSMENT OF PHILIPPINE LAWS, THAT BOUNTY OR

GRANT, AS DEFINED BY U.S. LAW, IS BEING PAID.
HOWEVER, EMBASSY FINDS IT INCOMPREHENSIBLE THAT
IRRITANT OF MAJOR PROPORTIONS IN PHILIPPINE-
AMERICAN RELATIONS SHOULD BE CASUALLY UNLEASHED
WITHOUT DOUBLECHECKING OF FACTS. MOREOVER, VALUE
OF VENEFITS UNDER PHILIPPINE INVESTMENT LAW
WHICH CAN BE ASCRIBED TO CERAMIC WALL TILE EXPORTS
IS CLEARLY, BY ANY PROPER CALCULATION, AT MOST A
FEW TENS OF THOUSANDS OF DOLLARS, AN AMOUNT QUITE
CLEARLY OF MINIMAL FINANCIAL INCENTIVE AS AN EXPORT
INCENTIVE WHEN COMPARED WITH TOTAL EXPORT VALUE OF
\$1.6 MILLION.

8. REQUEST THAT TEXTS OF FEDERAL REGISTER AND
PRESS RELEASE BE CABLED. PRIORITY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Concepts: CERAMICS, COUNTERVAILING DUTIES, ANTIDUMPING LAW (TRADE)
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Draft Date: 26 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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Margaret P. Grafeld
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TAGS: ETRD, RP
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